

**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
1985 - PRESENT**

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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1985	Outpatient Surgery Services	Agency directed to seek the broadest range of surgical services that can be performed on an outpatient basis. Savings not specified.	Unknown	Unknown		1
1985	Second Opinion for Elective Surgery	Agency directed to implement policies to require a second surgical opinion for designated elective surgery. Savings not specified.	Unknown	Unknown		1
1985	Drug Utilization Review Program	Agency directed to implement a drug utilization review program. Savings not specified.	Unknown	Unknown		1
1985	Third Party Liability Program	Ensure that certain entities/individuals meet their legal obligation to pay the medical claims of Medicaid recipients before Medicaid pays as the payer of last resort.	392,500	1,220,000		2
1987	Surveillance and Utilization Review System (SURS)	Upgrade automated system which profiles utilization patterns of recipients and providers. The system produces information for the detection of fraud and abuse, policy evaluation, and monitoring the quality of services.	Unknown	Unknown		3
1989	Adult day care waiver	Use of adult day care services in lieu of more expensive nursing home care	70,000	220,000		4
1989	Include coverage of freestanding physical therapy clinics in nursing home rate	Effective on and after 7-1-88, reimbursement will not be made directly to physical therapy providers for physical therapy services provided to Medicaid patients residing in long term care facilities that are subject to prospective reimbursement.	2,900,000	1,200,000		4
1989	Federal Grant for Aliens (SLIAG)	Additional Non-General Funds were appropriated and replaced equal amounts of General Funds. Section 204 of the Immigration Reform and Control Act of 1986 (Public Law 99-603) established State Legalization Impact Assistance Grants (SLIAG) to alleviate the financial impact on state and local governments that may result from the adjustment of the immigration status under the Act of "eligible legalized aliens" or ELA's. The act allows states to use SLIAG funds to reimburse the costs associated with providing public assistance and public health assistance to ELA's under existing state and local programs. Time limit runs from federal fiscal years 1988 through 1991.	185,320	417,050		4

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1989	Nursing Home Bed Holding	Effective 7-1-88, the State Plan for Medical Assistance shall include a provision for payment of up to 12 reserve days when a nursing home patient requires hospitalization and the nursing home is in a planning district in which the average occupancy for all licensed and certified nursing homes is more than 96 percent based on a 12-month average of the occupancy reported in Medicaid cost reports as of June 30 of each year.	405,118	405,118		4
1989	Peer grouping of state's teaching hospitals to increase the use of federal matching funds	Allows federal match of a portion of the indigent appropriation.	3,447,411		3,420,590	4
1989	Elimination of retrospective reimbursement of nursing homes for initial new facility operations	Effective on and after 7-1-88, retrospective reimbursement shall be eliminated for new and expanded long term care facilities that are subject to prospective reimbursement. From this date forward, all long term care facilities that are subject to prospective reimbursement shall be reimbursed under Virginia's prospective payment system as herein amended. For any new or expanded facility, certified on or after 7-1-88, the 95 percent occupancy rule shall be waived for establishing the first cost reporting period prospective reimbursement rate. The first cost reporting period may not exceed twelve months from the date of the facility's certification. The 95 percent occupancy rule will be applied to the first cost reporting period's actual costs for establishing such facility's second cost reporting period's prospective rate. The 95 percent occupancy rule shall apply for setting all subsequent cost reporting periods' rates for any such facility. Any new or expanded facility certified prior to 7-1-88, whose current cost reporting ends after 7-1-88 will continue to receive a waiver of the 95 percent occupancy rule until a maximum of twelve months has elapsed from such facility's certification date. If on 7-1-88, twelve months or more have elapsed from such facility's certification date, the waiver of the 95 percent rule shall no longer be applicable.	2,500,000	4,230,000		4
1989	Limit Non-Emergency Transportation Services	No details available.	250,000	250,000		4

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1990	Expansion of Transfer of Assets Rule	Effective with applications on or after 7-1-88, the State Plan for Medical Assistance shall be amended so that any individual who is an inpatient in a nursing home or other medical institution who at any time during or after the 24-month period immediately prior to application for Medicaid, disposed of a home for less than fair market value, shall be ineligible for Medical Assistance after the date on which he disposed of such home, to the extent provided in the Social Security Act.	596,000	678,000		4
1990	Reduce Drug Cost Reimbursement	This is a continuation of the previous item. In addition to the above, the Appropriations Act (Chapter 800) required a reimbursement methodology to be developed that better reflects the pharmacy's actual acquisition cost of drugs. The plan was to be developed and submitted by 10-1-88.	1,100,000	1,100,000		4
1990	Reimbursement for Hospital Capital Costs at 80 Percent of Occupancy (Cancelled by the 1989 General Assembly in Chapter 668)	The Appropriations Act (Chapter 800) specified that effective 7-1-89, the method for reimbursing hospitals for capital costs shall be modified so that excess capacity is no longer reimbursed. The capital cost pass through for hospitals shall be calculated as if the facility has maintained its occupancy at or above 80 percent.	1,637,000	0		4
1991	Hospice Coverage	Provision of hospice coverage in lieu of care in a long-term care setting.	64,985	92,370		4
1991	Expanded Client Medical Management Program	Increased cost efficiencies through utilization control of providers and recipients by extending the monitoring period for those clients who abuse services (recipients) or billings (providers) from 12 to 18 months.	139,100	295,490		5
1991	Deferral of Discretionary Administrative Expenditures	Administrative appropriation reduced to reflect decrease in expenditures for printing, temporary employees, supplies and equipment, and service contracts.	513,678	513,678		5
1991	Establish a per patient-day ceiling for all full service management services costs in nursing homes	Limit payment to median.	10,751	17,735		6
1991	Include payment for occupational/speech therapy services in nursing home operating costs	No longer pay for these costs separately	991,324	776,998		6

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1991	Require nursing homes with pharmacies to bill for pharmacy services through Medicaid Enrolled Pharmacy Program	Eliminate billing for pharmacy services through cost reports; instead bill for pharmacy services through pharmacy program.	336,643	183,983		6
1991	Eliminate 12-day bed hold policy for nursing home patients	Access to return guaranteed.	92,400	407,310		6
1991	Reduce hours of training required under OBRA'87 from 24 to 9 hours	Revised Federal interpretation of hours of training required. Savings negotiated by Secretary of HHR and the Virginia Health Care Association.	750,000	350,000		6
1991	Defer nursing home bed licensure	Savings negotiated by Secretary of HHR and the Virginia Health Care Association. 129,000 days of coverage to be avoided during 1990-92 biennium. Tracking mechanism indicates that the number of new beds licensed decreased; however, the impact on utilization cannot be identified.	1,200,000	3,200,000		6
1991	Eliminate reimbursement for \$.01/ml dispensing fee for unit dose liquid medications	Reimburse pharmacy services based on average dose, not metric volume. Unit doses provided to nursing home patients.	43,729	50,109		6
1991	Implement retrospective drug use review program in nursing facilities	Savings expected after first year of operation	TBD	TBD		6
1991	Reimburse pharmacies at average wholesale price minus 9%, plus dispensing fee, for sole source drugs	Payment based on discounted average wholesale price. Increases professional fee component.	1,108,988	2,331,070		6
1991	Pre-authorize long-stay hospitals	Utilization review. Ensures services are medically necessary.	481,795	1,082,002		6
1991	Implement utilization review procedures for intensive rehabilitation services	Affects rehabilitation agencies. Ensures services are medically necessary.	815,344	1,108,720		6
1991	Implement utilization review procedures for outpatient rehabilitation services	Affects acute and rehab hospitals. Ensures services are medically necessary.	14,311	285,848		6
1991	Expand Client Medical Management Program services to Emergency Rooms	Decreases payment for non-emergency services in emergency rooms.	9,017	88,415		6
1991	Increase Client Medical Management Program caseload	Increases coverage of program. Improves coordination of care.	64,850	350,454		6

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1991	Limit Medicare B Co-insurance payments	Payment for Medicare Part B coinsurance limited to the difference between Medicaid's maximum fee for a procedure and 80% of Medicare's allowance.	458,599	2,366,515		6
1991	Reduce OP hospital operating cost by 5.8%	Related to OBRA'90. Federal mandate for Medicare. Medicaid rates cannot exceed Medicare rates. Access to return guaranteed.	1,216,039	1,949,080		6
1991	Reduce reimbursement for capital-related costs for outpatient hospital services	Out-patient related costs. Federal mandate for Medicare. Medicaid rates cannot exceed Medicare rates.	425,318	589,121		6
1991	MHMR disproportionate share adjustment	Increases use of federal dollars. Offsets use of state funds. No impact on recipients or providers.	1,808,878		10,461,854	6
1991	Federal reimbursment for MHMR Community administration	Federal funds displace state funds appropriated in DMHMRSAS budget.	526,931		1,074,617	6
1992	Delay OB/Pediatrician fee increase from 7-1-91 to 10-1-91	One-time impact.	500,000	0		6
1992	Adjustments to FY 1992 operating rate for nursing homes	Savings negotiated by Secetrary of HHR and the Virginia Health Care Association.	2,256,014	0		6
1992	Additional Nurse Aide Training	Savings negotiated by Secetrary of HHR and the Virginia Health Care Association.	300,000	300,000		6
1992	Refinancing of high interest loans	Provides monetary incentive to nursing facilities to encourage mortgage refinancing. Savings negotiated by Secretary of HHR and the Virginia Health Care Association.	Unknown	Unknown		6
1992	Variable rate financing	Savings negotiated by Secetrary of HHR and the Virginia Health Care Association.	Unknown	Unknown		6
1992	Reduce payment for non-emergency ER services	Discourage use of emergency rooms for non-emergency services. Fee structure to be developed with hospital involvement.	4,115,281	4,115,281		6
1992	Pre-authorize durable medical equipment	Includes wheelchairs, beds, walkers, and iron lungs.	205,933	205,933		6
1992	Reduce threshold for hospital UR	Increases the number of claims reviewed. Decreases coverage of unnecessary hospital care.	1,786,230	1,786,230		6

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1992	Rate increase for DOH services	Federal funds displace General (and local) funds.	66,322		66,322	6
1992	Pharmacy Rebate Program	Requires drug manufacturers to provide quarterly rebates pursuant to agreements entered with manufacturers by U.S. Department of Health and Human Services on behalf of states. Authority contained in OBRA'90.	7,273,564	7,273,564		7
1992	Governor's Project Streamline	Reduction of 10 MEL as part of HHR central office reduction.	157,302	157,302		8
1992	Transfer of responsibility to other agencies for budgeting for certain support services rendered by those agencies to the Medicaid Program.	Agencies involved are: DRS for disability determinations MHMRSAS for annual resident reviews and Level II screening reviews DOH for licensure certification, EPSDT and Level I screenings DSS for Level I screenings and EPSDT	0	1,043,348	(1,043,348)	9
1992	Administrative budget reductions to meet shortfall in state revenues	Reductions in vacancy rate and contracted management services.	293,278	293,278		9
1992	Disproportionate share adjustment for state teaching hospitals	Replaces GF appropriated for MCV and UVA with federal funds	18,100,000		32,270,000	10
1992	Utilization review and preauthorization of Home Health Services	Utilization review will be performed to ensure that home health services are provided only when medically necessary and that the rendered care meets established written criteria and quality standards. Preauthorization ensures the delivery of medically necessary services and allows DMAS to control inappropriate use.	Unknown	Unknown		11
1993	Additional administrative budget reductions to meet shortfall in state revenues	Reductions in use of P-14s, contracted systems development services, deferral of computer hardware and software purchases.	251,204	251,204		12
1993	Elimination of pre-authorization of transportation services	Eliminate pre-authorization of transportation services which had been performed under Interagency Agreements between DMAS and DOH and DSS. Instead, DOH and its local health departments will distribute bus tickets to recipients and/or refer them to providers of transportation services in the particular local area.	413,500	413,500		12

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1993	Implement payment of group health plan premiums for Medicaid recipients	Section 4402 of OBRA'90 provides for the mandatory enrollment of Medicaid eligibles in cost effective group health plans as a condition of Medicaid eligibility since the amount paid for premiums, coinsurance, deductibles, may be less than the amount paid for an equivalent set of Medicaid services.	Unknown	Unknown		13
1993	Department of Education Rehabilitative Services	Expands pilots initiated in 1992 to entire state. Covers certain special education services (physical therapy, occupational therapy and speech pathology services) provided by local school divisions to Medicaid eligible children.	66,210		2,368,043	14
1993	Unfunded MEL Adjustment	Addenda included in 1992-94 Appropriations reduced MEL by 34.0 positions to the approximate level of positions filled in December, 1981.	0	0		13
1993	Reduce Scope of Selected Adult Optional Services	Limit home health nursing services and home health nurse aide services to 32 visits annually. Limit coverage of physical, occupational and language therapies to 24 visits annually. Podiatry services were also proposed for elimination but this proposal was not accepted by the General Assembly.	1,000,000	1,500,000		13
1993	Recipient Co-Payment Increase	Outpatient Hospital: \$2.00/visit added for Categorically Needy (already required for Medically Needy) Inpatient Hospital: \$100 for all recipients except those exempted (previously \$30 each admittance for Medically Needy only) Home Health visits: \$3.00/visit Physicians Services: \$1.00 was added for Categorically Needy (already required for Medically Needy) Exemptions are: All services for children Prenatal care and delivery services for pregnant women All emergency services All services for institutionalized patients	1,000,000	1,000,000		13

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes																				
				DMAS Budget	Other Budgets																					
1993	Medicaid Reform	<p>This Legislative Amendment assumes savings which will result from a public-private solution to reducing Medicaid expenditures to be developed jointly by the appropriate standing committees of the General Assembly in cooperation with the Joint Commission on Health Care. As part of this initiative, language is included to authorize the DMAS Director to seek federal waivers to implement the managed care program, including a pharmaceutical component, by 1-1-93.</p> <p>The plan that ultimately was implemented included the following components. Initial savings shown represent amounts saved in FY 1993, recurring savings represent amounts expected to be saved in FY 1994. All amounts are General Funds.</p> <table><tr><td>Virginia Hospital Association Utilization Management</td><td>0</td><td>4,000,000</td></tr><tr><td>Preadmission Screening/Concurrent Review Pilot</td><td>15,148</td><td>62,440 *</td></tr><tr><td>Selected High Cost Cases - Management</td><td>1,360,000</td><td>1,500,000</td></tr><tr><td>Ulcer Medicaid Management</td><td>0</td><td>1,900,000</td></tr><tr><td>Contracts for Vaccines (see next item)</td><td>43,429</td><td>171,000</td></tr><tr><td>Pre-authorization of High Cost Drugs</td><td>0</td><td>600,000</td></tr><tr><td>Enhanced Prescreening for Long Term Care</td><td>1,500,000</td><td>1,000,000</td></tr></table> <p>* Pilot ends December 31, 1993</p>	Virginia Hospital Association Utilization Management	0	4,000,000	Preadmission Screening/Concurrent Review Pilot	15,148	62,440 *	Selected High Cost Cases - Management	1,360,000	1,500,000	Ulcer Medicaid Management	0	1,900,000	Contracts for Vaccines (see next item)	43,429	171,000	Pre-authorization of High Cost Drugs	0	600,000	Enhanced Prescreening for Long Term Care	1,500,000	1,000,000	See below	See below	15
Virginia Hospital Association Utilization Management	0	4,000,000																								
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Contracts for Vaccines (see next item)	43,429	171,000																								
Pre-authorization of High Cost Drugs	0	600,000																								
Enhanced Prescreening for Long Term Care	1,500,000	1,000,000																								
1993	Implementation of the Virginia Medicaid Direct Purchase Vaccine Program (DPVP)	<p>HCFA granted the Commonwealth a waiver in November, 1992, to conduct an 1115 demonstration program to pay Merck directly for the cost of vaccines distributed by Merck to providers for use on Medicaid clients. Under this vaccine replacement program, Merck will supply an initial allotment to Medicaid practitioners. The state will reimburse Merck for replacement vaccine at the Centers for Disease Control (CDC) rate plus up to \$3.00 for handling. The vaccine may not be used on non-Medicaid children. While several states operate vaccine replacement programs through their public health agency, this venture is expected to simplify the process by eliminating the logistics of storing and distributing vaccine. The program will operate under a Sec. 1115 waiver, which will allow the state to pay the manufacturer directly. HCFA's Office of Research and Development (ORD) will evaluate the program.</p>	Included above	Included above	16																					

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1993	Re-estimate Timing of Nursing Home Beds	This Legislative Amendment captured savings associated with delays in completing construction of nursing home beds. Savings are not recurring.	1,429,607	0		17
1994	Home Health Agency Reimbursement Methodologies	This amendment provided that effective 7-1-93 regulations governing home health agency reimbursement methodologies will (1) eliminate the distinction between urban and rural peer groups; (2)utilize the weighted median cost per service from 1989 for free standing agencies as a basis for establishing rates; and (3) reimburse hospital-based home health agencies at the rate set for establishing home health agencies.	500,000	500,000		17
1994	Nursing Facility Reimbursement Methodologies	This amendment reflects a decrease in 1994 resulting from revisions to the reimbursement methodologies for nursing home facilities. A subsequent legislative amendment during the 1993 General Assembly directed DMAS to work with the the Virginia Health Care Association to identify alternative methods for achieving \$1,000,000 in GF savings. Savings so identified shall not include reductions in inflation rates, and shall be implemented as adjustments in reimbursement policies or rates for nursing facilities on 7-1-93 and the previously proposed indirect ceiling reduction shall not be imposed.	1,000,000	1,000,000		17
1994	More Restrictive Limits on Transfer of Assets	This amendment reflects a savings in Medicaid expenditures achieved by restricting the transfer of assets through purchases of certain life insurance policies.	350,000	350,000		17
1994	Irrevocable Trusts	This amendment originated with H.B. 2198 that invalidates provisions in inter vivos trusts that provide for the suspension, termination or diversion of income of the trust in the event that the grantor applies for Medicaid or needs medical, hospital or long-term care. In the event that such provisions are in a trust, the trustee must distribute the principal and interest as if no Medicaid application had been made. A total of \$25,000 is exempt from the provisions of the bill and if the grantor has created multiple trusts, the \$25,000 exemption is to be prorated among the trusts.	500,000	500,000		18

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1994	Department of Education School-Based Health Centers	The 1992 General Assembly required the Department of Education and DMAS to jointly plan and implement pilot school/community health centers. Pilots are to be established with different models of service delivery being developed, such as health screening, outreach, health counselling, control and management of communicable diseases, and the management of fragile students. No GF is required. NGF displaces funding that would otherwise be provided by local school divisions.	Savings of local funds	0	Savings of local funds	19
1995	Technology Assisted Waiver	Since the Technology Assisted Waiver was implemented in 1988, DMAS has contracted with hospital-based staff to perform assessments, develop plans of care and provide on-going monitoring and utilization review for children referred to Technology Assisted Waiver services. This addenda provides for savings and improved efficiency by performing the activities with in-house staff.	13,000	28,000		20
1995	Reduce length-of-stay of Medicaid patients in hospitals	The Agency plans to reduce the length of time Medicaid patients stay in hospitals through better case management. This management philosophy has been coordinated with the Virginia Hospital Association.	4,000,000	4,000,000		20
1995	Expansion of MEDALLION Program	Expansion beyond pilot sites.	2,000,000	2,000,000		20
1995	Increase DSA Payments at UVA	This addenda replaces indigent care funding at UVA Medical Center with Medicaid funds through providing Disproportionate Share Payments and replacing part of the indigent care general fund appropriation with Medicaid funding.	4,000,000		4,000,000	20
1995	Rebasing at UVA and MCV	This addenda provided funds to increase Medicaid payments to the two teaching hospitals by replacing part of their indigent care general fund appropriation with Medicaid funding.	8,700,000		8,700,000	20
1995	Increase DSA Payments at MCV and UVA	This is a legislative amendment that increased the amount of DSA payments over and above the addenda amount.	7,595,658		4,185,705	21
1995	Voluntary Thresholds	This amendment captures savings from the use of voluntary thresholds by hospitals.	1,000,000	2,200,000		21

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1995	Fiscal Impact of HB 1140	This amendment captures savings from passage of HB 1140 which prohibited disclaimers of inheritance.	750,000	750,000		21
1995	Personal Assistance Services Savings	This amendment captures savings to Medicaid by the provision of personal assistance services targeted to nursing home waiting list clients who meet certain criteria specified by the Department of Rehabilitative Services. Criteria shall include that those to be served: be already in a nursing facility or have been screened as eligible for nursing facility placement and now are at imminent risk of such placement if personal assistance services are not provided; and can return or remain in the community at a lower cost to the state than facility placement.	181,179	181,179		21
1995	Capitated Managed Care Savings	This amendment reduced Medicaid expenditures for savings from capitated managed care.	500,000	2,500,000		21
1996	Pharmaceutical Savings	The General Assembly substituted an alternative savings to the Governor's original proposal to implement a closed formulary. Savings are to be achieved through enhancement of both the prospective and retrospective drug utilization review programs.	4,500,000	4,500,000		22
1996	FFP Adjustment	This budget amendment recognized increased federal support to the Virginia Medicaid Program as a result of an increase in the federal matching rate from 50% to 51.37% effective October 1, 1995.	21,000,000	28,000,000		22
1996	Expansion of MEDALLION to non-ADC Population	This amendment recognized savings as a result of the expansion of the MEDALLION managed care program to all Medicaid recipients, including aged, blind and disabled recipients who do not receive Medicare or participate in community-based waiver programs, effective July 1, 1995.	355,000	355,000		22
1996	Reduce Hospital Stay by One Day	This amendment reflects savings from a reduction in the average length of stay for inpatient hospital services from six to five days for most aged, blind and disabled patients who receive Medicaid.	5,000,000	5,000,000		22

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1996	Reduce Drug Dispensing Fee to \$4.25	This amendment reflects savings to be achieved from a decrease in the the Medicaid drug dispensing fee paid to pharmacies from \$4.40 to \$4.25 per prescription effective July 1, 1995.	468,000	468,000		22
1996	One-day Length of Stay for Obstetrics	This amendment reflects savings from implementing a statewide program to lower the length of hospital stays for most women and their newborns to one day.	3,003,000	3,003,000		22
1996	Emergency Room Diagnosis Code Adjustment	This amendment reflects savings from a reduction in payments for nonessential emergency room services by subjecting more nonemergency services obtained in an emergency room to lower Medicaid reimbursement.	2,000,000	2,000,000		22
1996	HIPP Expansion	This amendment reflects savings from expansion of the number of Medicaid recipients for whom Medicaid will pay insurance premiums. When such recipients have insurance through their employer and it is cost effective to do so, Medicaid will pay those health insurance premiums in lieu of providing traditional Medicaid coverage.	1,000,000	1,000,000		22
1996	50% Physicians Rate Matched to Outpatient Visits	This amendment reflects savings from lowering the fees paid to doctors when patients are not seen in the doctor's office but in an outpatient hospital.	3,300,000	3,300,000		22
1996	Reduction to Teaching Hospitals	This amendment reflects savings from lowering the level of reimbursement to both the Medical College of Virginia and University of Virginia Hospitals.	6,385,500	6,385,500		22
1996	Recovery of Disputed Pharmacy Rebates	This amendment plans for a one-time recovery of disputed pharmacy rebates in FY 1996.	1,500,000			22
1996	Nursing Home - Legal Fees	This amendment requires Medicaid to disallow legal expenses for appeals that have no merit.	200,000	200,000		22

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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1996	Privatization of Functions	This amendment eliminates funding and authorization for 25 positions. Sufficient funds are left to contract out functions of the eliminated positions.	100,000	100,000		22
1996	Abolishment of Medical Assistance Appeals Panel	Chapter 853 contains authority allowing the Board of Medical Assistance Services to promulgate regulations abolishing the Medical Assistance Appeals Panel. Such regulations shall be effective within 60 days of the effective date of the Act.				22
1997	Savings in the Pharmacy Benefits Program	<p>The Governor's proposed budget provided for savings of \$12,353,300 in FY 1997 and \$12,358,000 in FY 1998 from using a pharmacy benefits manager to administer the Medicaid Prescribed Drugs Benefit. The General Assembly substituted several alternative initiatives that are expected to save the same amount over the biennium.</p> <p>Specifically, DMAS is to implement the following initiatives effective on or after July 1, 1996: continued enhancements to the prospective drug utilization review program (pro-DUR); application of the pro-DUR program to the long-term care community; and expanded implementation of a disease state management program. Additional funds of \$1,029,553 were appropriated in FY 1997 to contract for pro-DUR enhancements. Savings to be achieved in FY 1998 were increased by a like amount, thereby making the change budget neutral.</p> <p>The General Assembly also directed DMAS to establish a Medicaid Pharmacy Liaison Committee composed of representatives from Community Pharmacy, Long Term Care/Consultant Pharmacy, the Virginia Pharmacists Association, the Virginia Association of Chain Drug Stores and the Pharmaceutical Research and Manufacturers of America. The Committee will work with DMAS' Pharmacy Division and the Prior Authorization Advisory Committee in implementing the above initiatives and in investigating the implementation of additional quality, cost effective health care initiatives.</p>	6,000,000	6,500,000		23

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1997	Durable Medical Equipment	<p>The Governor's proposed budget provided for savings of \$1,042,000 in FY 1997 and \$1,289,000 in FY 1998 from competitively bidding ostomy and incontinence supplies. Instead, the General Assembly directed DMAS to change the preauthorization requirement for incontinence supplies from greater than three cases per month to greater than two cases per month effective July 1, 1996. In addition, the rates paid for all durable medical equipment are to be reduced by 4.5 percent effective July 1, 1996, except that no adjustment is to be made to the rates paid for nutritional supplements. The alternative initiative will save the same amount as the Governor included in his proposed budget.</p>	506,000	626,000		23
1997	Specialized Care Rates Paid to Nursing Homes	<p>The Governor's proposed budget provided for savings of \$7,871,000 in FY 1997 and \$9,242,000 in FY 1998 as a result of adjusting the payment rates for specialized care services provided by nursing facilities to more closely reflect the actual cost of providing services.</p> <p>Instead, the General Assembly directed DMAS, in cooperation with the affected provider groups, to conduct a study to the appropriate cost of specialized care and adjust rates according to the study results. Specifically, the study will (i) determine the distribution and identity of costs of providing specialized care services; (ii) develop a payment methodology with flexibility in rates based upon varying levels of care, varying lengths of stay, and varying costs in different areas of the state; and (iii) develop a payment methodology that encourages delivery of quality specialized care services through the use of appropriate financial incentives. The Assembly specified that the study shall conclude and DMAS shall establish appropriate rates for specialized care services effective on or after October 1, 1996.</p> <p>Because the alternative reimbursement methodology is not expected to achieve the same amount of savings projected in the introduced budget, \$2,058,884 was restored in FY 1997.</p>	2,823,000	4,487,000		

Continued

**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
1985 - PRESENT (Continued)**

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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
1999	Changes in Payment Rates for Medicare copayments and deductibles	This budget amendment saves state and federal funds through a policy change that affects the payment structure for individuals who are both Medicare and Medicaid beneficiaries. The federal Balanced Budget Act of 1999 clarified that states have the authority to limit Medicaid reimbursement for Medicare deductibles, coinsurance and copayments to Medicaid rates.	13,318,000	14,520,000		24
1999	Authority to Manage Highest Cost Medicaid Recipients	This budget amendment gave DMAS authority to more effectively manage those Medicaid recipients who receive the highest cost care. DMAS is required to establish uniform criteria for the program, including criteria for the high cost recipients, providers and reimbursement, service limits, assessment and authorization limits, utilization review, quality assessment, appeals and other such criteria.	N/A	N/A		24
1999	Repeal of the Boren Amendment	This amendment gives DMAS the authority to remove from state regulations requirements related to the Boren Amendment which were previously mandated by federal law but which were repealed by the federal Balanced Budget Act of 1997.	N/A	N/A		24
2001	Productivity Savings Initiatives	<p>The 2000 Appropriation Act, Chapter 1073, required all state agencies to prepare and submit plans to reduce expenditures during the 2000-2002 biennium through efficiencies and increases in productivity savings. DMAS productivity savings submission included 21 separate initiatives and assumed a net savings to the Commonwealth of \$19.6 million GF in the 2000-2002 Biennium. The major initiatives included in the productivity savings submission were:</p> <p>Transition Non-Emergency Transportation to an Admin expense Apply technology Enhancements to the E & D Waiver Shorten the pre-assignment process from 75 to 45 days Foster enhancements to the Drug Util. Rev. (DUR) Prog. Validate prior authorization of services Enhanced Util. Review for Community Based Services Ensure accurate inpatient hospital services billing</p>	5,285,084	11,304,871	3,028,615	25

Continued

**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
1985 - PRESENT (Continued)**

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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
2003	Rate Reduction for Pharmacy Services	The 2002 Appropriation Act, Chapter 899, mandated a decrease in the rate paid for pharmacy products. The rate was decreased from the Average Wholesale Price minus 9 percentage points to the Average Wholesale Price Minus 10.25 percentage points.	3,806,250	4,181,250		26
2003	Modifications to Pharmacy Coverage	The 2002 Appropriation Act, Chapter 899, mandated several changes to the pharmacy program designed to reduce expenditures. Changes include: expediting access to generic drugs; modifications to the pharmacy point of sale system to allow for enhanced drug utilization review; adjustments to the pricing for the anti-hemophilia drugs and modifications to the process in which DMAS reimburses for pharmacy services for individuals with other sources of insurance.	7,079,320	7,079,320		26
2003	Targeted Cost Savings	The 2002 Appropriation Act, Chapter 899, mandated that DMAS reduce expenditures to hospitals by approximately \$4.4 million GF in FY 2003 and \$4.565 million GF in FY 2004. In addition, the language mandated that DMAS reduce expenditures to the Managed Care Organizations by \$3.6 GF in FY 2003 and \$3.735 million in FY 2004.	8,000,000	8,300,000		26
2003	Maximizing Federal Reimbursement	The 2002 Appropriation Act, Chapter 899, assumed that the Commonwealth would realize \$43 million annually in savings through increased federal revenue through the Medicaid. This savings is to be achieved by covering services through the Medicaid program that were previously covered with all state or local funds in other agencies, as well as increased reimbursements to government facilities that provide Medicaid services.	43,000,000		43,000,000	26
2004	Preferred Drug List	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to implement a preferred drug list program starting in the second half of state FY 2004. The program is to include reference drug pricing and supplemental rebates.	10,424,200	20,848,400		27
2004	Pharmacy Threshold Initiative	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to implement a program designed to better manage recipients who utilize a high quantity of prescription drugs through requiring prior authorization after certain thresholds have been met as well as enhanced clinical edits and prospective drug utilization review.	11,950,000	11,950,000		27

Continued

**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
1985 - PRESENT (Continued)**

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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
2004	Enhanced Prior Authorization of Certain Services	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to to implement prior authorization for home health visits, outpatient rehabilitation visits, and outpatient psychiatric visits after the fifth visit. The five visit limit is for each unique service. In addition, the Act authorized prior authorization for outpatient MRI, CAT and PET scans.	2,055,929	2,055,929		27
2004	Reduce the Rate of Increase Provide Health Maintenance Organizations in FY 2004	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to limit the percent of rate increase provided to HMOs for contracts enacted for FY 2004 for the MEDALLION II program.	18,092,266			27
2004	Reduce Outpatient Hospital Rates to 80% of Allowable Cost	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to reduce outpatient hospital rates from 95% to 80% of allowable cost.	4,238,950	4,238,950		27
2004	Reduce Payment Rates for Hospital Capital Costs	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to reduce inpatient and outpatient hospital capital payment rates from 95% to 80% of allowable cost.	2,593,240	2,593,240		27
2004	Revise Nursing Facility Specialized Care and Traumatic Brain Injury Programs	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to eliminate the majority of the specialized care program. This was possible due to the implementation of the new RUGS methodology.	1,334,521	1,334,521		27
2004	Reduce Rate Increase Provided to Nursing Facilities in FY 2004	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to limit the increase for inflation that nursing facilities normally receive in FY 2004 to 5.1% for direct care costs and 1.5% for indirect care costs.	5,446,357			27
2004	Increase Medicaid Co-Payment for Brand Name Drugs	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to increase the co-payment charged for brand name drugs from \$2 per script to \$3 per script. As mandated by federal law, co-payments are not imposed on children under 21, recipients in nursing homes, recipients receiving emergency services, and pregnancy-related or family planning services.	892,500	892,500		27
2004	Reduce Pharmacy Dispensing Fee	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to reduce the dispensing fee paid for most prescriptions filled from \$4.25 per prescription to \$3.75 per prescription.	2,004,589	2,004,589		27

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**MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED:
1985 - PRESENT (Continued)**

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Fiscal Year	Cost Containment Measure	Brief Description	Initial GF Savings	Recurring GF Savings		Notes
				DMAS Budget	Other Budgets	
2004	Revise Outpatient Rehabilitation Methodology	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to change the reimbursement methodology for private outpatient rehabilitation providers from a retrospective cost settlement method to a prospective rate method. The new method establishes the rate ceiling at 112 percent of the median cost for the facilities.	3,007,448	3,007,448		27
2004	Revise Methodology Used to Credit Non-Covered Services	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to set a maximum reimbursement amount for specific non-covered medical service expenditures incurred by nursing home residents that offset their patient pay expenses.	68,228	68,228		27
2004	Eliminate Transitional Medicaid Coverage under Welfare Reform	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to eliminate the required 12 months of transitional Medicaid coverage for VIEW participants who lose their financial assistance under welfare reform.	1,023,384	1,023,384		27
2004	Reduce Reimbursement Rates for Selected Durable Medical Equipment	The 2003 Appropriation Act, Chapter 1042, authorized DMAS to reduce Medicaid rates for selected Durable Medical Equipment to ensure the rates do not exceed Medicare rates.	634,032	634,032		27
2004	Savings Through Non-Profit Hospitals Participating in Federal Pharmacy Program	The 2003 Appropriation Act, Chapter 1042, reduced DMAS appropriation in FY 2004 and instructed DMAS to work with non-profit hospitals to ensure they participate in the federal 340B Drug Pricing Program.	750,000	750,000		27
2004	Implementation of the Family Planning Waiver	The 2003 Appropriation Act, Chapter 1042, reduced DMAS appropriation in FY 2004 to realize the savings from implementing the Medicaid Family Planning Waiver.	1,000,000	1,000,000		27
2004	Defer FY 2004 Adjustment in the Medically Needy Income Limits	The 2003 Appropriation Act, Chapter 1042, reduced DMAS FY 2004 appropriation and authorized DMAS to defer the scheduled adjustment in the medically needy income limits, which would have been adjusted based on the increase in the CPI.	500,093	500,093		27
2005	Implement a State Maximum Allowable Cost Program for Generic Drug Products	The 2004 Appropriation Act, Chapter 4 of the special session, reduced DMAS' FY 2005 and FY 2006 appropriation and authorized the Department to implement a Maximum Allowable Cost program for generic drugs which is designed to adjust the rates paid for generic drugs to reflect the actual acquisition cost for these products.	5,850,000	5,850,000		28
2005	Implement Pilot Disease State Management Program	The 2004 Appropriation Act, Chapter 4 of the special session, reduced DMAS' FY 2005 and FY 2006 appropriation to reflect the implementation of a pilot disease state management program.	1,000,000	1,000,000		28
2005	Increase Recipient Cost Sharing	The 2004 Appropriation Act, Chapter 4 of the special session, reduced DMAS' FY 2005 and FY 2006 appropriation and authorized the Department to increase recipient cost sharing requirements to achieve the savings.	500,000	500,000		28
Totals			\$296,249,803.00	\$235,345,530.00	\$111,532,398.00	

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MEDICAID COST CONTAINMENT MEASURES IMPLEMENTED: 1985 - PRESENT (Continued)

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Source and Notes:

- (1) Governor's Executive Budgets and Appropriations Acts, 1984-86 Biennium.
- (2) DMAS Budget Division, Funds Returned to Program Forecast Documentation: Interview Scott Sandridge/Jesse Garland. Initial savings are for 1985, recurring savings are for 1990.
- (3) Governor's Executive Budgets and Appropriations Acts, 1986-88 Biennium.
- (4) Governor's Executive Budgets and Appropriations Acts, 1988-90 Biennium.
- (5) Executive Budget and Appropriations Act, 1990-92 biennium
- (6) DMAS Monthly Management Report 3.10, Summary of GF Savings Achieved from Cost Management Initiatives. Initial savings are those actually achieved for 1991. Recurring savings are those reported for 1992 (usually first full year of implementation), if applicable. Recurring savings determined from 1992 actuals.
- (7) Section 4401 of OBRA '90, Public Law 101-508
- (8) Form 27 transfer in 1992, made permanent in 1992-94 technical addenda (first session).
- (9) Governor's Executive Budget and Appropriations Act (First Session), 1992-94 Biennium.
- (10) Initial amount contained in Senate Bill No. 31, Amendments to 1992 Budget. Recurring amount shown is estimated payment in 1993; actual savings may be significantly larger.
- (11) State Regulation: Home Health Services (Effective Date: January 1, 1992)
- (12) Appropriation Act, 1992-94 Biennium (First Session); amount shown is increase over 1992 amount which is shown separately.
- (13) Appropriation Act, 1992-94 Biennium (First Session) and accompanying budget briefing materials.
- (14) Initial GF savings based on FY 1993 actual, recurring savings based on forecast made on 11-23-93 by DMAS Budget Division
- (15) Medicaid Reform 1992-94 Plan, Department of Planning and Budget, adjusted for implementation
- (16) State Medicaid Group Meeting Minutes, November 16 and 17, 1992
- (17) Joint Conference Committee Report on House Bill No. 30, 1992 Session (Half sheets)
- (18) Pat Sykes memo to BMAS dated 3-14-93 re 1993 General Assembly Highlights
- (19) Second session budget amendment 505
- (20) 1994-1996 Executive Budget and back-up materials, 1994 General Assembly
- (21) Summary of Joint Conference Financial Committee Report, 1994 General Assembly, DMAS Budget Division, March 11, 1994
- (22) End-of-Session Report to the Board of Medical Assistance Services and Chapter 853
- (23) End-of-Session Report to the Board of Medical Assistance Services and Chapter 912
- (24) End-of-Session Report to the Board of Medical Assistance Services
- (25) DMAS Productivity Savings Plan, Department of Planning and Budget
- (26) End-of-Session Report to the Board of Medical Assistance Services and Chapter 899

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